LOEWS CORP
Form 10-Q
July 31, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ____________ to _____________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-2646102**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

667 Madison Avenue, New York, N.Y. 10065-8087

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ________

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes __X__ No __________ Not Applicable__________

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer _X_ Accelerated filer ____ Non-accelerated filer ____ Smaller reporting company ____

Emerging growth company ____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes____________ No __X__

Class	Outstanding at July 21, 2017
Common stock, $0.01 par value	336,601,242 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	June 30, 2017	December 31, 2016
Assets:		
Investments:		
Fixed maturities, amortized cost of $38,982 and $38,947	$ 42,065	$ 41,494
Equity securities, cost of $603 and $571	607	549
Limited partnership investments	3,254	3,220
Other invested assets, primarily mortgage loans	748	683
Short term investments	4,932	4,765
Total investments	51,606	50,711
Cash	357	327
Receivables	7,977	7,644
Property, plant and equipment	15,447	15,230
Goodwill	647	346
Other assets	2,420	1,736
Deferred acquisition costs of insurance subsidiaries	647	600
Total assets	$ 79,101	$ 76,594
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	$ 22,179	$ 22,343
Future policy benefits	10,824	10,326
Unearned premiums	4,107	3,762
Total insurance reserves	37,110	36,431
Payable to brokers	478	150
Short term debt	192	110
Long term debt	11,094	10,668
Deferred income taxes	852	636
Other liabilities	5,269	5,238
Total liabilities	54,995	53,233
Commitments and contingent liabilities		
Preferred stock, $0.10 par value:		

Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 336,724,742 and 336,621,358 shares	**3**	3
Additional paid-in capital	**3,178**	3,187
Retained earnings	**15,677**	15,196
Accumulated other comprehensive loss	**(36)**	(223)
	18,822	18,163
Less treasury stock, at cost (123,500 shares)	**(6)**	
Total shareholders equity	**18,816**	18,163
Noncontrolling interests	**5,290**	5,198
Total equity	**24,106**	23,361
Total liabilities and equity	**$ 79,101**	$ 76,594

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	**2017**	2016	**2017**	2016
Revenues:				
Insurance premiums	**$ 1,734**	$ 1,730	**$ 3,379**	$ 3,429
Net investment income	**478**	587	**1,082**	1,009
Investment gains (losses):				
Other-than-temporary impairment losses	**(2)**	(15)	**(4)**	(38)
Other net investment gains	**45**	16	**81**	11
Total investment gains (losses)	**43**	1	**77**	(27)
Contract drilling revenues	**392**	357	**756**	801
Other revenues	**712**	632	**1,365**	1,268
Total	**3,359**	3,307	**6,659**	6,480
Expenses:				
Insurance claims and policyholders benefits	**1,280**	1,339	**2,573**	2,747
Amortization of deferred acquisition costs	**312**	305	**617**	612
Contract drilling expenses	**196**	198	**400**	411
Other operating expenses (Note 5)	**1,085**	1,611	**1,931**	2,518
Interest	**139**	130	**281**	273
Total	**3,012**	3,583	**5,802**	6,561
Income (loss) before income tax	**347**	(276)	**857**	(81)
Income tax expense	**(69)**	(12)	**(188)**	(8)
Net income (loss)	**278**	(288)	**669**	(89)
Amounts attributable to noncontrolling interests	**(47)**	223	**(143)**	126
Net income (loss) attributable to Loews Corporation	**$ 231**	$ (65)	**$ 526**	$ 37
Basic and diluted net income (loss) per share	**$ 0.69**	$ (0.19)	**$ 1.56**	$ 0.11
Dividends per share	**$ 0.0625**	$ 0.0625	**$ 0.125**	$ 0.125
Weighted average shares outstanding:				
Shares of common stock	**336.91**	338.72	**336.90**	338.91
Dilutive potential shares of common stock	**0.81**		**0.80**	0.19
	337.72	338.72	**337.70**	339.10

Total weighted average shares outstanding assuming dilution

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	2016	**2017**	2016
Net income (loss)	**$ 278**	$ (288)	**$ 669**	$ (89)
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other- than-temporary impairments		(1)	**(4)**	4
Net other unrealized gains on investments	**77**	321	**144**	549
Total unrealized gains on available-for-sale investments	**77**	320	**140**	553
Unrealized gains on cash flow hedges				1
Pension liability	**7**	5	**15**	13
Foreign currency translation	**42**	(48)	**53**	(34)
Other comprehensive income	**126**	277	**208**	533
Comprehensive income (loss)	**404**	(11)	**877**	444
Amounts attributable to noncontrolling interests	**(60)**	191	**(164)**	69
Total comprehensive income attributable to Loews Corporation	**$ 344**	$ 180	**$ 713**	$ 513

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

		Loews Corporation Shareholders					
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2016	$ 22,810	$ 3	$ 3,184	$ 14,731	$ (357)	$ -	$ 5,249
Net income (loss)	(89)			37			(126)
Other comprehensive income	533				476		57
Dividends paid	(136)			(42)			(94)
Purchases of subsidiary stock from noncontrolling interests	(9)		3				(12)
Purchases of Loews treasury stock	(98)					(98)	
Stock-based compensation	24		23				1
Other	(4)		(13)	(2)			11
Balance, June 30, 2016	$ 23,031	$ 3	$ 3,197	$ 14,724	$ 119	$ (98)	$ 5,086
Balance, January 1, 2017	**$ 23,361**	**$ 3**	**$ 3,187**	**$ 15,196**	**$ (223)**	**$ -**	**$ 5,198**
Net income	**669**			**526**			**143**
Other comprehensive income	**208**				**187**		**21**
Dividends paid	**(138)**			**(42)**			**(96)**
	(6)					**(6)**	

Purchases of Loews treasury stock							
Stock-based compensation	**14**		**(9)**				**23**
Other	**(2)**			**(3)**			**1**
Balance, June 30, 2017	**$ 24,106**	**$ 3**	**$ 3,178**	**$ 15,677**	**$ (36)**	**$ (6)**	**$ 5,290**

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30 **(In millions)**	**2017**	2016
Operating Activities:		
Net income (loss)	**$ 669**	$ (89)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities, net	**614**	1,389
Changes in operating assets and liabilities, net:		
Receivables	**(223)**	(429)
Deferred acquisition costs	**(41)**	(25)
Insurance reserves	**262**	666
Other assets	**(108)**	(87)
Other liabilities	**(79)**	(106)
Trading securities	**137**	(548)
Net cash flow operating activities	**1,231**	771
Investing Activities:		
Purchases of fixed maturities	**(4,840)**	(4,874)
Proceeds from sales of fixed maturities	**3,142**	3,070
Proceeds from maturities of fixed maturities	**1,770**	1,247
Purchases of limited partnership investments	**(47)**	(280)
Proceeds from sales of limited partnership investments	**119**	124
Purchases of property, plant and equipment	**(476)**	(895)
Acquisitions	**(1,222)**	(79)
Dispositions	**69**	274
Change in short term investments	**(29)**	148
Other, net	**(40)**	148
Net cash flow investing activities	**(1,554)**	(1,117)
Financing Activities:		
Dividends paid	**(42)**	(42)
Dividends paid to noncontrolling interests	**(96)**	(94)
Purchases of subsidiary stock from noncontrolling interests		(8)
Purchases of Loews treasury stock	**(6)**	(86)
Principal payments on debt	**(908)**	(2,352)
Issuance of debt	**1,401**	2,843
Other, net	**(1)**	(1)

Net cash flow financing activities		**348**		260
Effect of foreign exchange rate on cash		**5**		(6)
Net change in cash		**30**		(92)
Cash, beginning of period		**327**		440
Cash, end of period	**$**	**357**	$	348

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 53% owned subsidiary); transportation and storage of natural gas and natural gas liquids (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 51% owned subsidiary); the operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels & Co), a wholly owned subsidiary); and the manufacture of rigid plastic packaging solutions (Consolidated Container Company LLC, a 99% owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company s financial position as of June 30, 2017 and December 31, 2016, results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016 and changes in shareholders equity and cash flows for the six months ended June 30, 2017 and 2016. Net income (loss) for the second quarter and first half of each of the years is not necessarily indicative of net income (loss) for that entire year. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

The Company presents basic and diluted net income (loss) per share on the Consolidated Condensed Statements of Income. Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. 0.6 million and 4.7 million shares for the three months ended June 30, 2017 and 2016 and 0.6 million and 5.1 million shares for the six months ended June 30, 2017 and 2016 attributable to employee stock-based compensation awards were not included in the diluted weighted average shares outstanding amounts because the effect would have been antidilutive.

Accounting changes In March of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated accounting guidance simplifies the accounting for share-based payment award transactions, including income tax consequences and classification on the statement of cash flows. As of January 1, 2017, the Company adopted the updated accounting guidance and began recognizing excess tax benefits or deficiencies on vesting or settlement of awards as an income tax benefit or expense within net income and the related cash flows classified within operating activities. The change impacted the amount and timing of income tax expense recognition as well as the calculation of diluted earnings per share. The accounting change did not have a material effect on the consolidated financial statements.

Recently issued ASUs In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures about revenue. In August of 2015, the FASB formally amended the effective date of this update to annual reporting periods beginning after December 15, 2017, including interim periods. The guidance can be adopted either retrospectively or with a cumulative effect adjustment at the date of adoption. The Company expects the updated guidance will not have a material effect on its consolidated financial statements.

In January of 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated accounting guidance requires changes to the reporting model for financial instruments. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company expects the primary change to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary changes to be the use of the expected credit loss model for the mortgage loan portfolio and reinsurance receivables and the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. Under the allowance method for available-for-sale debt securities the Company will record reversals of credit losses if the estimate of credit losses declines.

2. Acquisition of Consolidated Container Company

On May 22, 2017, the Company completed the previously announced acquisition of CCC Acquisition Holdings, Inc. for $1.2 billion, subject to closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC (Consolidated Container), is a rigid plastic packaging and recycled resins manufacturer that provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America. The results of Consolidated Container are included in the Consolidated Condensed Financial Statements since the acquisition date in the Corporate segment. Consolidated Container s revenues were $91 million and, as a result of purchase accounting charges and acquisition costs, net income was not significant for the three and six months ended June 30, 2017. For the year ended December 31, 2016, Consolidated Container reported total revenues of $788 million.

The acquisition was funded with approximately $620 million of parent company cash and debt financing proceeds at Consolidated Container of $600 million, as described below. The following table summarizes the preliminary allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date and is subject to change within the measurement period. The primary areas that are not yet finalized relate to working capital at closing and determination of tax bases of net assets acquired.

(In millions)		
Cash	**$**	**5**

Property, plant and equipment	**394**
Goodwill	**299**
Other assets:	
Inventory	**57**
Customer relationships	**457**
Trade name	**43**
Other	**122**
Deferred income taxes	**(17)**
Other liabilities:	
Accounts payable	**(53)**
Pension liability	**(27)**
Other	**(53)**
	$ 1,227

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Customer relationships were valued using an income approach, which values the intangible asset at the present value of the related incremental after tax cash flows. The customer relationships intangible asset will be amortized over a useful life of 21 years. The trade name was valued using an income approach, which values the intangible asset based on an estimate of cost savings, or a relief from royalty. The trade name will be amortized over a useful life of 10 years. Goodwill includes value associated with the assembled workforce and Consolidated Container s future growth and profitability. The assets acquired and liabilities assumed as part of the acquisition did not result in a step up of tax basis and approximately $94 million of goodwill is deductible for tax purposes.

Consolidated Container entered into a credit agreement providing for a $605 million term loan and a five year $125 million asset based lending facility (ABL facility) in conjunction with the acquisition. The term loan is a variable rate facility which bears interest at a floating rate equal to the London Interbank Offered Rate (LIBOR) plus an applicable margin of 3.5%, subject to a 1.0% floor. The term loan matures on May 22, 2024 and requires annual principal amortization of 1.0% of the original loan amount beginning December 31, 2017. Consolidated Container recorded approximately $19 million of debt issuance costs, which will be amortized over the terms of the facilities. Consolidated Container entered into interest rate swaps for a notional amount of $500 million to hedge its cash flow exposure to the variable rate debt. These swaps effectively fix the interest rate on the hedged portion of the term loan at approximately 5.6%. As of June 30, 2017, Consolidated Container had no borrowings outstanding under its ABL facility.

3. Investments

Net investment income is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In millions)	**2017**	2016	**2017**	2016
Fixed maturity securities	**$ 457**	$ 449	**$ 912**	$ 895
Limited partnership investments	**23**	47	**139**	7
Short term investments	**4**	2	**8**	5
Equity securities	**2**	4	**3**	7
Income (loss) from trading portfolio (a)	**(1)**	87	**33**	102
Other	**8**	13	**16**	22
Total investment income	**493**	602	**1,111**	1,038
Investment expenses	**(15)**	(15)	**(29)**	(29)
Net investment income	**$ 478**	$ 587	**$ 1,082**	$ 1,009

(a) Net unrealized gains (losses) related to changes in fair value on trading securities still held were $(6) and $60 for the three months ended June 30, 2017 and 2016 and $19 and $81 for the six months ended June 30, 2017 and 2016.

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Investment gains (losses) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	2016	**2017**	2016
Fixed maturity securities	**$ 44**	$ 4	**$ 76**	$ (13)
Equity securities		3		(2)
Derivative instruments	**(3)**	(6)	**(2)**	(13)
Short term investments and other	**2**		**3**	1
Investment gains (losses) (a)	**$ 43**	$ 1	**$ 77**	$ (27)

(a) Gross realized gains on available-for-sale securities were $57 and $44 for the three months ended June 30, 2017 and 2016 and $106 and $89 for the six months ended June 30, 2017 and 2016. Gross realized losses on available-for-sale securities were $13 and $37 for the three months ended June 30, 2017 and 2016 and $30 and $104 for the six months ended June 30, 2017 and 2016.

The components of other-than-temporary impairment (OTTI) losses recognized in earnings by asset type are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	2016	**2017**	2016
Fixed maturity securities available-for-sale:				
Corporate and other bonds	**$ 2**	$ 13	**$ 4**	$ 29
Asset-backed:				
Residential mortgage-backed		1		1
Other asset-backed		1		3
Total asset-backed	**-**	2	**-**	4
Total fixed maturities available-for-sale	**2**	15	**4**	33
Equity securities available-for-sale - common stock				5
Net OTTI losses recognized in earnings	**$ 2**	$ 15	**$ 4**	$ 38

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The amortized cost and fair values of securities are as follows:

June 30, 2017 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities:					
Corporate and other bonds	**$ 17,823**	**$ 1,589**	**$ 29**	**$ 19,383**	
States, municipalities and political subdivisions	**12,461**	**1,380**	**15**	**13,826**	**$ (13)**
Asset-backed:					
Residential mortgage-backed	**4,835**	**124**	**38**	**4,921**	**(27)**
Commercial mortgage-backed	**1,907**	**59**	**14**	**1,952**	
Other asset-backed	**1,050**	**16**	**5**	**1,061**	
Total asset-backed	**7,792**	**199**	**57**	**7,934**	**(27)**
U.S. Treasury and obligations of government-sponsored enterprises	**113**	**4**	**2**	**115**	
Foreign government	**438**	**12**	**1**	**449**	
Redeemable preferred stock	**18**	**1**		**19**	
Fixed maturities available- for-sale	**38,645**	**3,185**	**104**	**41,726**	**(40)**
Fixed maturities trading	**337**	**3**	**1**	**339**	
Total fixed maturities	**38,982**	**3,188**	**105**	**42,065**	**(40)**
Equity securities:					
Common stock	**17**	**5**		**22**	
Preferred stock	**91**	**6**	**1**	**96**	
Equity securities available-for-sale	**108**	**11**	**1**	**118**	**-**
Equity securities trading	**495**	**79**	**85**	**489**	
Total equity securities	**603**	**90**	**86**	**607**	**-**
Total	**$ 39,585**	**$ 3,278**	**$ 191**	**$ 42,672**	**$ (40)**

December 31, 2016					
Fixed maturity securities:					
Corporate and other bonds	$ 17,711	$ 1,323	$ 76	$ 18,958	$ (1)
States, municipalities and political subdivisions	12,060	1,213	33	13,240	(16)
Asset-backed:					
Residential mortgage-backed	5,004	120	51	5,073	(28)
Commercial mortgage-backed	2,016	48	24	2,040	
Other asset-backed	1,022	8	5	1,025	
Total asset-backed	8,042	176	80	8,138	(28)
U.S. Treasury and obligations of government-sponsored enterprises	83	10		93	
Foreign government	435	13	3	445	
Redeemable preferred stock	18	1		19	
Fixed maturities available-for-sale	38,349	2,736	192	40,893	(45)

Fixed maturities trading	598	3		601	
Total fixed maturities	38,947	2,739	192	41,494	(45)
Equity securities:					
Common stock	13	6		19	
Preferred stock	93	2	4	91	
Equity securities available-for-sale	106	8	4	110	-
Equity securities trading	465	60	86	439	
Total equity securities	571	68	90	549	-
Total	$ 39,518	$ 2,807	$ 282	$ 42,043	$ (45)

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income (AOCI). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting certain long term care products would result in a premium deficiency if realized, a related increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through

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Other comprehensive income (Shadow Adjustments). As of June 30, 2017 and December 31, 2016, the net unrealized gains on investments included in AOCI were correspondingly reduced by Shadow Adjustments of $1.1 billion and $909 million (after tax and noncontrolling interests).

The available-for-sale securities in a gross unrealized loss position are as follows:

	Less than 12 Months		12 Months or Longer		Total	
June 30, 2017 **(In millions)**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
Fixed maturity securities:						
Corporate and other bonds	**$ 1,314**	**$ 26**	**$ 52**	**$ 3**	**$ 1,366**	**$ 29**
States, municipalities and political subdivisions	**742**	**15**	**24**		**766**	**15**
Asset-backed:						
Residential mortgage-backed	**1,722**	**34**	**141**	**4**	**1,863**	**38**
Commercial mortgage-backed	**473**	**8**	**125**	**6**	**598**	**14**
Other asset-backed	**159**	**4**	**14**	**1**	**173**	**5**
Total asset-backed	**2,354**	**46**	**280**	**11**	**2,634**	**57**
U.S. Treasury and obligations of government-sponsored enterprises	**65**	**2**			**65**	**2**
Foreign government	**109**	**1**			**109**	**1**
Total fixed maturity securities	**4,584**	**90**	**356**	**14**	**4,940**	**104**
Equity securities:						
Common stock	**1**				**1**	
Preferred stock	**15**	**1**			**15**	**1**
Total equity securities	**16**	**1**	**-**	**-**	**16**	**1**
Total	**$ 4,600**	**$ 91**	**$ 356**	**$ 14**	**$ 4,956**	**$ 105**
December 31, 2016						
Fixed maturity securities:						
Corporate and other bonds	$ 2,615	$ 61	$ 254	$ 15	$ 2,869	$ 76
States, municipalities and political subdivisions	959	32	23	1	982	33
Asset-backed:						
Residential mortgage-backed	2,136	44	201	7	2,337	51
Commercial mortgage-backed	756	22	69	2	825	24
Other asset-backed	398	5	24		422	5
Total asset-backed	3,290	71	294	9	3,584	80
U.S. Treasury and obligations of government-sponsored enterprises	5				5	

Foreign government	108	3			108	3
Total fixed maturity securities	6,977	167	571	25	7,548	192
Equity securities	12		13	4	25	4
Total	$ 6,989	$ 167	$ 584	$ 29	$ 7,573	$ 196

Based on current facts and circumstances, the Company believes the unrealized losses presented in the June 30, 2017 securities in a gross unrealized loss position table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded as of June 30, 2017.

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The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of June 30, 2017 and 2016 for which a portion of an OTTI loss was recognized in Other comprehensive income.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	2016	**2017**	2016
Beginning balance of credit losses on fixed maturity securities	**$ 32**	$ 48	**$ 36**	$ 53
Reductions for securities sold during the period	**(2)**	(7)	**(6)**	(12)
Ending balance of credit losses on fixed maturity securities	**$ 30**	$ 41	**$ 30**	$ 41

Contractual Maturity

The following table presents available-for-sale fixed maturity securities by contractual maturity.

	June 30, 2017		December 31, 2016	
(In millions)	**Cost or Amortized Cost**	**Estimated Fair Value**	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 1,590**	**$ 1,628**	$ 1,779	$ 1,828
Due after one year through five years	**7,732**	**8,098**	7,566	7,955
Due after five years through ten years	**15,754**	**16,404**	15,892	16,332
Due after ten years	**13,569**	**15,596**	13,112	14,778
Total	**$ 38,645**	**$ 41,726**	$ 38,349	$ 40,893

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due at a single date are allocated based on weighted average life.

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Derivative Financial Instruments

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments. Gross estimated fair values of derivative positions are currently presented in Equity securities, Receivables and Payable to brokers on the Consolidated Condensed Balance Sheets.

	June 30, 2017			December 31, 2016		
	Contractual/ Notional Amount	**Estimated Fair Value Asset**	**(Liability)**	Contractual/ Notional Amount	Estimated Fair Value Asset	(Liability)
(In millions)						
With hedge designation:						
Interest rate risk:						
Interest rate swaps	**$ 500**					
Without hedge designation:						
Equity markets:						
Options purchased	**221**	**$ 14**		$ 223	$ 14	
written	**231**		**$ (8)**	267		$ (8)
Futures short	**243**			225	1	
Commodity futures long	**37**	**1**		42		
Embedded derivative on funds withheld liability	**171**		**(1)**	174	3	

4. Fair Value

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Prices may fall within Level 1, 2 or 3 depending upon the methodology and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using a methodology and inputs the Company believes market participants would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted by the Company.

The Company performs control procedures over information obtained from pricing services and brokers to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. Procedures may include: (i) the review of pricing service methodologies or broker pricing qualifications, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where period-over-period changes in price are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company performs an independent analysis of the inputs and assumptions used to price individual securities and (v) pricing validation, where prices received are compared to prices independently estimated by the Company.

Assets and liabilities measured at fair value on a recurring basis are presented in the following tables:

June 30, 2017 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 19,283	$ 100	$ 19,383
States, municipalities and political subdivisions		13,825	1	13,826
Asset-backed:				
Residential mortgage-backed		4,798	123	4,921
Commercial mortgage-backed		1,939	13	1,952
Other asset-backed		979	82	1,061
Total asset-backed		7,716	218	7,934
U.S. Treasury and obligations of government-sponsored enterprises	$ 115			115
Foreign government		449		449
Redeemable preferred stock	19			19
Fixed maturities available-for-sale	134	41,273	319	41,726
Fixed maturities trading		334	5	339
Total fixed maturities	$ 134	$ 41,607	$ 324	$ 42,065
Equity securities available-for-sale	$ 99		$ 19	$ 118
Equity securities trading	488		1	489
Total equity securities	$ 587	$ -	$ 20	$ 607
Short term investments	$ 3,858	$ 981		$ 4,839
Other invested assets	60	5		65
Receivables	1			1
Life settlement contracts			$ 1	1
Payable to brokers	(8)			(8)

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December 31, 2016 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 18,828	$ 130	$ 18,958
States, municipalities and political subdivisions		13,239	1	13,240
Asset-backed:				
Residential mortgage-backed		4,944	129	5,073
Commercial mortgage-backed		2,027	13	2,040
Other asset-backed		968	57	1,025
Total asset-backed		7,939	199	8,138
U.S. Treasury and obligations of government-sponsored enterprises	$ 93			93
Foreign government		445		445
Redeemable preferred stock	19			19
Fixed maturities available-for-sale	112	40,451	330	40,893
Fixed maturities trading		595	6	601
Total fixed maturities	$ 112	$ 41,046	$ 336	$ 41,494
Equity securities available-for-sale	$ 91		$ 19	$ 110
Equity securities trading	438		1	439
Total equity securities	$ 529	$ -	$ 20	$ 549
Short term investments	$ 3,833	$ 853		$ 4,686
Other invested assets	55	5		60
Receivables	1			1
Life settlement contracts			$ 58	58
Payable to brokers	(44)			(44)

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The following tables present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2017 and 2016:

2017 (In millions)	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
Fixed maturity securities:										
Corporate and other bonds	$ 121					$ (11)		$ (10)	$ 100	
States, municipalities and political subdivisions	1								1	
Asset-backed:										
Residential mortgage-backed	126	$ 1	$ 1			(5)			123	
Commercial mortgage-backed	13								13	
Other asset-backed	117			$ 13		(2)	$ 24	(70)	82	
Total asset-backed	256	1	1	13	$ -	(7)	24	(70)	218	$ -
Fixed maturities available-for-sale	378	1	1	13		(18)	24	(80)	319	
Fixed maturities trading	5								5	(1)
Total fixed maturities	$ 383	$ 1	$ 1	$ 13	$ -	$ (18)	$ 24	$ (80)	$ 324	$ (1)
Equity securities available-for-sale	$ 19		$ 1		$ (1)				$ 19	
Equity securities trading	1								1	
Total equity securities	$ 20	$ -	$ 1	$ -	$ (1)	$ -	$ -	$ -	$ 20	$ -
Life settlement contracts	$ 46				$ (45)				$ 1	

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2016 (In millions)	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
Fixed maturity securities:										
Corporate and other bonds	$ 193	$ 1	$ 3	$ 94	$ (20)	$ (7)		$ (22)	$ 242	
States, municipalities and political subdivisions	2								2	
Asset-backed:										
Residential mortgage-backed	128	1	(1)	10		(4)			134	
Commercial mortgage- backed	27					(9)	$ 3	(10)	11	
Other asset-backed	50		2	35	(25)	(1)		(16)	45	
Total asset-backed	205	1	1	45	(25)	(14)	3	(26)	190	$ -
Fixed maturities available-for-sale	400	2	4	139	(45)	(21)	3	(48)	434	
Fixed maturities trading	3	4			(1)				6	4
Total fixed maturities	$ 403	$ 6	$ 4	$ 139	$ (46)	$ (21)	$ 3	$ (48)	$ 440	$ 4
Equity securities available-for-sale	$ 19								$ 19	
Equity securities trading	-	$ 1		$ 1					2	$ 1
Total equity securities	$ 19	$ 1	$ -	$ 1	$ -	$ -	$ -	$ -	$ 21	$ 1
Life settlement contracts	$ 72	$ 6				$ (11)			$ 67	$ (3)
Derivative financial instruments, net		(2)					$ 3		1	(3)

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2017 (In millions)	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
Fixed maturity securities:										
Corporate and other bonds	$ 130		$ 1	$ 5	$ (1)	$ (25)		$ (10)	$ 100	
States, municipalities and political subdivisions	1								1	
Asset-backed:										
Residential mortgage-backed	129	$ 2	3			(11)			123	
Commercial mortgage-backed	13								13	
Other asset-backed	57	(1)		51		(2)	$ 52	(75)	82	
Total asset-backed	199	1	3	51	-	(13)	52	(75)	218	$ -
Fixed maturities available-for-sale	330	1	4	56	(1)	(38)	52	(85)	319	
Fixed maturities trading	6	(1)							5	(1)
Total fixed maturities	$ 336	$ -	$ 4	$ 56	$ (1)	$ (38)	$ 52	$ (85)	$ 324	$ (1)
Equity securities available-for-sale	$ 19		$ 2	$ 1	$ (3)				$ 19	
Equity securities trading	1								1	
Total equity securities	$ 20	$ -	$ 2	$ 1	$ (3)	$ -	$ -	$ -	$ 20	$ -
Life settlement contracts	$ 58	$ 6			$ (58)	$ (5)			$ 1	
Derivative financial instruments, net	-	1			(1)				-	

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2016 (In millions)	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
Fixed maturity securities:										
Corporate and other bonds	$ 168		$ 7	$ 147	$ (36)	$ (10)		$ (34)	$ 242	
States, municipalities and political subdivisions	2								2	
Asset-backed:										
Residential mortgage-backed	134	$ 2	(1)	10		(9)		(2)	134	
Commercial mortgage- backed	22			9		(9)	$ 3	(14)	11	
Other asset-backed	53		2	35	(25)	(1)	2	(21)	45	
Total asset-backed	209	2	1	54	(25)	(19)	5	(37)	190	$ -
Fixed maturities available-for-sale	379	2	8	201	(61)	(29)	5	(71)	434	
Fixed maturities trading	85	5		2	(86)				6	4
Total fixed maturities	$ 464	$ 7	$ 8	$ 203	$ (147)	$ (29)	$ 5	$ (71)	$ 440	$ 4
Equity securities available-for-sale	$ 20		$ (1)						$ 19	
Equity securities trading	1	$ 1		$ 1	$ (1)				2	$ 1
Total equity securities	$ 21	$ 1	$ (1)	$ 1	$ (1)	$ -	$ -	$ -	$ 21	$ 1
Life settlement contracts	$ 74	$ 10				$ (17)			$ 67	$ (3)
Derivative financial instruments, net	3	(3)			$ (2)		$ 3		1	(3)

Net realized and unrealized gains and losses are reported in Net income (loss) as follows:

Major Category of Assets and Liabilities	Consolidated Condensed Statements of Income Line Items
Fixed maturity securities available-for-sale	Investment gains (losses)
Fixed maturity securities, trading	Net investment income

Equity securities available-for-sale	Investment gains (losses)
Equity securities, trading	Net investment income
Other invested assets	Investment gains (losses) and Net investment income
Derivative financial instruments held in a trading portfolio	Net investment income
Derivative financial instruments, other	Investment gains (losses) and Other revenues
Life settlement contracts	Other revenues

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Securities may be transferred in or out of levels within the fair value hierarchy based on the availability of observable market information and quoted prices used to determine the fair value of the security. The availability of observable market information and quoted prices varies based on market conditions and trading volume. During the three and six months ended June 30, 2017 and 2016 there were no transfers between Level 1 and Level 2. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

Valuation Methodologies and Inputs

The following section describes the valuation methodologies and relevant inputs used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instruments are generally classified.

Fixed Maturity Securities

Level 1 securities include highly liquid and exchange traded bonds and redeemable preferred stock, valued using quoted market prices. Level 2 securities include most other fixed maturity securities as the significant inputs are observable in the marketplace. All classes of Level 2 fixed maturity securities are valued using a methodology based on information generated by market transactions involving identical or comparable assets, a discounted cash flow methodology or a combination of both when necessary. Common inputs for all classes of fixed maturity securities include prices from recently executed transactions of similar securities, marketplace quotes, benchmark yields, spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. Specifically for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Fixed maturity securities are primarily assigned to Level 3 in cases where broker/dealer quotes are significant inputs to the valuation, and there is a lack of transparency as to whether these quotes are based on information that is observable in the marketplace. Level 3 securities also include private placement debt securities whose fair value is determined using internal models with inputs that are not market observable.

Equity Securities

Level 1 equity securities include publicly traded securities valued using quoted market prices. Level 2 securities are primarily non-redeemable preferred stocks and common stocks valued using pricing for similar securities, recently executed transactions and other pricing models utilizing market observable inputs. Level 3 securities are primarily priced using broker/dealer quotes and internal models with inputs that are not market observable.

Derivative Financial Instruments

Exchange traded derivatives are valued using quoted market prices and are classified within Level 1 of the fair value hierarchy. Level 2 derivatives primarily include currency forwards valued using observable market forward rates. Over-the-counter derivatives, principally interest rate swaps, total return swaps, commodity swaps, equity warrants and options, are valued using inputs including broker/dealer quotes and are classified within Level 2 or Level 3 of the valuation hierarchy, depending on the amount of transparency as to whether these quotes are based on information that is observable in the marketplace.

Short Term Investments

Securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and treasury bills. Level 2 primarily includes commercial paper, for which all inputs are market observable. Fixed maturity securities purchased within one year of maturity are classified consistent with fixed maturity securities discussed above. Short term investments as presented in the tables above differ from the amounts presented in the Consolidated Condensed Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

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Other Invested Assets

Level 1 securities include exchange traded open-end funds valued using quoted market prices.

Life Settlement Contracts

CNA accounts for its investment in life settlement contracts using the fair value method. Historically, the fair value of life settlement contracts was determined as the present value of the anticipated death benefits less anticipated premium payments based on contract terms that are distinct for each insured, as well as CNA s own assumptions for mortality, premium expense and the rate of return that a buyer would require on the contracts.

The entire portfolio of life settlement contracts was determined to be held for sale as of December 31, 2016 as CNA reached an agreement on terms to sell the portfolio. As such, CNA adjusted the fair value to the estimated sales proceeds less cost to sell. The definitive Purchase and Sale Agreement (PSA) related to the portfolio was executed on March 7, 2017 (sale date). In connection therewith, the life settlement contracts and related sale proceeds were placed in escrow until the buyer is recognized as the owner and beneficiary of each individual life settlement contract by the life insurance company that issued the policy. All but $1 million of the contracts have been released from escrow as of June 30, 2017. CNA derecognized the released contracts and recorded the consideration, including a note receivable, which is payable over three years and is carried at amortized cost less any valuation allowance. The note receivable of $45 million is included within Other assets on the June 30, 2017 Consolidated Condensed Balance Sheet and interest income is accreted to the principal balance of the note receivable. The contracts remaining in escrow have not been derecognized, continue to be measured at the fair value per the PSA, and are expected to clear escrow in the third quarter of 2017.

The fair value of CNA s investments in life settlement contracts were $1 million and $58 million as of June 30, 2017 and December 31, 2016, and are included in Other assets on the Consolidated Condensed Balance Sheets. Despite the sale, the contracts have been classified as Level 3 as there is not an active market for life settlement contracts. The cash receipts and payments related to the life settlement contracts prior to the sale date are included in operating activities on the Consolidated Condensed Statements of Cash Flows. Cash receipts related to the sale of the life settlement contracts as well as principal payments on the note receivable are included in investing activities.

Significant Unobservable Inputs

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurement of Level 3 assets. Valuations for assets and liabilities not presented in the tables below are primarily based on broker/dealer quotes for which there is a lack of transparency as to inputs used to develop the valuations. The quantitative detail of unobservable inputs from these broker quotes is neither provided nor reasonably available to the Company. The valuation of life settlement contracts was based on the terms of the sale of the contracts to a third party; therefore the contracts are not included in the tables below.

June 30, 2017	**Estimated Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(In millions)			

Fixed maturity securities	**$**	**125**	**Discounted cash flow**	**Credit spread**	**2%**	**40% (4%)**

December 31, 2016

Fixed maturity securities	$	106	Discounted cash flow	Credit spread	2%	40% (4%)

For fixed maturity securities, an increase to the credit spread assumptions would result in a lower fair value measurement.

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Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company s financial assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are presented in the following tables. The carrying amounts and estimated fair values of short term debt and long term debt exclude capital lease obligations. The carrying amounts reported on the Consolidated Condensed Balance Sheets for cash and short term investments not carried at fair value and certain other assets and liabilities approximate fair value due to the short term nature of these items.

	Carrying	Estimated Fair Value			
June 30, 2017	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
(In millions)					
Assets:					
Other invested assets, primarily mortgage loans	**$ 646**			**$ 655**	**$ 655**
Liabilities:					
Short term debt	**190**		**$ 154**	**40**	**194**
Long term debt	**11,075**		**10,074**	**1,217**	**11,291**
December 31, 2016					
Assets:					
Other invested assets, primarily mortgage loans	$ 591			$ 594	$ 594
Liabilities:					
Short term debt	107		$ 104	3	107
Long term debt	10,655		10,150	646	10,796

The following methods and assumptions were used in estimating the fair value of these financial assets and liabilities.

The fair values of mortgage loans, included in Other invested assets, were based on the present value of the expected future cash flows discounted at the current interest rate for similar financial instruments, adjusted for specific loan risk.

Fair value of debt was based on observable market prices when available. When observable market prices were not available, the fair value of debt was based on observable market prices of comparable instruments adjusted for differences between the observed instruments and the instruments being valued or is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

5. Property, Plant and Equipment

Diamond Offshore

Asset Impairments

During the second quarter of 2017, Diamond Offshore evaluated seven drilling rigs with indicators of impairment. Due to the continued deterioration of market fundamentals in the contract drilling industry, as well as newly-available market projections, which indicated that a full market recovery is likely to occur further in the future than had previously been estimated, Diamond Offshore determined that the carrying values of one ultra-deepwater and one deepwater semisubmersible rig were impaired.

Diamond Offshore estimated the fair value of the rigs impaired in 2017 using an income approach, whereby the fair value of each rig was estimated based on a calculation of the rig s future net cash flows. These calculations utilized significant unobservable inputs, including estimated proceeds that may be received on ultimate disposition of the rig, and are representative of Level 3 fair value measurements due to the significant level of estimation involved and lack of transparency as to the inputs used. During the second quarter of 2017, Diamond Offshore recorded an asset impairment charge of $72 million ($23 million after tax and noncontrolling interests), which is included in Other operating expenses on the Consolidated Condensed Statements of Income.

As of June 30, 2017, there were nine rigs in Diamond Offshore s drilling fleet for which there were no current indicators that their carrying amounts may not be recoverable and, therefore, were not evaluated for impairment at that time. If market fundamentals in the offshore oil and gas industry deteriorate further or a projected market recovery is further delayed, additional impairment losses may be required to be recognized in future periods.

Diamond Offshore recorded aggregate asset impairment charges of $672 million ($263 million after tax and noncontrolling interests), which is included in Other operating expenses on the Consolidated Condensed Statements of Income for the three and six months ended June 30, 2016. See Note 6 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016 for further discussion of Diamond Offshore s 2016 asset impairments.

Boardwalk Pipeline

Sale of Assets

In May of 2017, Boardwalk Pipeline sold a processing plant and related assets, for approximately $65 million, including customary adjustments. The sale resulted in a loss of $47 million ($15 million after tax and noncontrolling interests) and is included in Other operating expenses on the Consolidated Condensed Statements of Income.

6. Claim and Claim Adjustment Expense Reserves

CNA s property and casualty insurance claim and claim adjustment expense reserves represent the estimated amounts necessary to resolve all outstanding claims, including incurred but not reported (IBNR) claims as of the reporting date. CNA s reserve projections are based primarily on detailed analysis of the facts in each case, CNA s experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as claim reserving trends and settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions including inflation and public attitudes. All of these factors can affect the estimation of claim and claim adjustment expense reserves.

Establishing claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably estimable than long-tail claims, such as workers compensation, general liability and professional liability claims. Adjustments to prior year reserve estimates, if necessary, are reflected in the results of operations in the period that the need for such adjustments is determined. There can be no assurance that CNA s ultimate cost for insurance losses will not exceed current estimates.

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in CNA s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $39 million and $85 million for the three months ended June 30, 2017 and 2016 and $73 million and $121 million for the six months ended June 30, 2017 and 2016. Catastrophe losses in 2017 related primarily to U.S. weather-related events. Catastrophe losses in 2016 resulted primarily from U.S. weather-related events and the Fort McMurray wildfires.

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Liability for Unpaid Claim and Claim Adjustment Expenses Rollforward

The following table presents a reconciliation between beginning and ending claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves of non-core operations.

Six Months Ended June 30	**2017**	2016
(In millions)		
Reserves, beginning of year:		
Gross	**$ 22,343**	$ 22,663
Ceded	**4,094**	4,087
Net reserves, beginning of year	**18,249**	18,576
Net incurred claim and claim adjustment expenses:		
Provision for insured events of current year	**2,443**	2,583
Decrease in provision for insured events of prior years	**(159)**	(198)
Amortization of discount	**93**	93
Total net incurred (a)	**2,377**	2,478
Net payments attributable to:		
Current year events	**(266)**	(311)
Prior year events	**(2,331)**	(2,185)
Total net payments	**(2,597)**	(2,496)
Foreign currency translation adjustment and other	**70**	46
Net reserves, end of period	**18,099**	18,604
Ceded reserves, end of period	**4,080**	4,371
Gross reserves, end of period	**$ 22,179**	$ 22,975

(a) Total net incurred above does not agree to Insurance claims and policyholders benefits as reflected in the Consolidated Condensed Statements of Income due to amounts related to retroactive reinsurance deferred gain accounting, uncollectible reinsurance and loss deductible receivables and benefit expenses related to future policy benefits, which are not reflected in the table above.

Net Prior Year Development

Changes in estimates of claim and allocated claim adjustment expense reserves and premium accruals, net of reinsurance, for prior years are defined as net prior year development. These changes can be favorable or unfavorable. The following table and discussion present net prior year development:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (55)**	$ (98)	**$ (112)**	$ (150)
Pretax (favorable) unfavorable premium development	**(8)**	(8)	**17**	(22)
Total pretax (favorable) unfavorable net prior year development	**$ (63)**	$ (106)	**$ (95)**	$ (172)

Premium development can occur in the property and casualty business when there is a change in exposure on auditable policies or when premium accruals differ from processed premium. Audits on policies usually occur in a period after the expiration date of the policy. See Note 10 for further information on the premium development for the Small Business multi-peril package product and workers compensation policies for the three and six months ended June 30, 2017.

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The following table and discussion present details of the net prior year claim and allocated claim adjustment expense reserve development (development):

(In millions)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Medical professional liability	**$ 3**	$ (23)	**$ 4**	$ (30)
Other professional liability and management liability	**(37)**	(41)	**(69)**	(50)
Commercial auto		(20)	**(26)**	(35)
General liability	**(1)**	(37)	**(1)**	(52)
Workers compensation	**(46)**	50	**(46)**	54
Other	**26**	(27)	**26**	(37)
Total pretax (favorable) unfavorable development	**$ (55)**	$ (98)	**$ (112)**	$ (150)

Three Months

2017

Favorable development in other professional liability and management liability was primarily due to lower than expected claim frequency in accident years 2013 through 2015 and lower than expected severity in accident years 2014 through 2016 for professional liability.

Favorable development for workers compensation was primarily related to decreases in frequency and severity in recent accident years, partially attributable to California reforms related to decreases in medical costs.

Unfavorable development for other coverages was primarily due to higher than expected severity in accident year 2016 for property and other, higher than expected severity in accident year 2015 arising from the management liability business for other professional liability and adverse large claims experience in the Hardy political risks portfolio, relating largely to accident year 2016. This unfavorable development was partially offset by favorable development in accident years 2014 and prior for other professional liability and better than expected frequency in accident years 2014 through 2016, for property and marine.

2016

Favorable development in medical professional liability was due to lower than expected severity for individual healthcare professionals and allied facilities for accident years 2014 and prior.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims in accident years 2010 through 2015, mainly driven by professional services. This was partially offset by unfavorable development in accident year 2015 related to an increase in management liability frequency of larger claims.

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013.

Unfavorable development for workers compensation was due to a reduction in estimated recoveries on war hazard claims for Defense Base Act contractors, which was partially offset by favorable development related to lower than expected frequencies for the small and middle market businesses in accident years 2009 through 2014.

Favorable development for other coverages was primarily due to better than expected loss emergence in accident years 2013 through 2015 for property and other, better than expected severity in accident years 2013 and prior for liability and better than expected severity in auto liability in accident years 2011 through 2015, partially offset by unfavorable development for higher than expected large loss emergence in accident years 2011 through 2015 for other professional liability.

Six Months

2017

Favorable development in other professional liability and management liability was primarily due to favorable settlements on closed claims and a lower frequency of large losses for accident years 2011 through 2016 for professional and management liability, lower than expected claim frequency in accident years 2013 through 2015 for professional liability and lower than expected severity in accident years 2014 through 2016 for professional liability.

Favorable development for commercial auto was primarily due to lower than expected severity in accident years

2013 through 2015.

Favorable development for workers compensation was primarily related to decreases in frequency and severity in recent accident years, partially attributable to California reforms related to decreases in medical costs.

The drivers of development for the six month period for other coverages were generally consistent with the three month summary above.

2016

Favorable development for medical professional liability was primarily due to lower than expected severity for individual healthcare professionals, allied facilities, and hospitals in accident years 2011 and prior. This was partially offset by unfavorable development in accident years 2012 and 2013 related to higher than expected large loss emergence in hospitals and higher than expected severity in accident years 2014 and 2015 in the aging services business.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims in accident years 2010 through 2015, mainly driven by professional services. Additional favorable development was related to favorable outcomes on larger claims in 2013 and prior in professional services. This was partially offset by unfavorable development in accident years 2014 and 2015 related to an increase in management liability frequency of larger claims.

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013.

Unfavorable development for workers compensation was due to a reduction in estimated recoveries on war hazard claims for Defense Base Act contractors, which was partially offset by favorable development related to lower than expected frequencies for the small and middle market businesses in accident years 2009 through 2014.

Favorable development for other coverages was primarily due to better than expected claim frequency in property coverages in accident year 2015, better than expected loss emergence in accident years 2013 through 2015 for property and other, better than expected severity in accident years 2013 and prior for liability and better than expected severity in auto liability in accident years 2011 through 2015. This favorable development was partially offset by unfavorable development which was primarily due to higher than expected severity from a 2015 catastrophe event for property and other and higher than expected large loss emergence in accident years 2011 through 2015 for other professional liability.

Asbestos and Environmental Pollution (A&EP) Reserves

In 2010, Continental Casualty Company (CCC) together with several of CNA s insurance subsidiaries completed a transaction with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which substantially all of CNA s legacy A&EP liabilities were ceded to NICO through a loss portfolio transfer (LPT). At the effective date of the transaction, CNA ceded approximately $1.6 billion of net A&EP claim and allocated claim adjustment expense reserves to NICO under a retroactive reinsurance agreement with an aggregate limit of $4.0 billion. The $1.6 billion of claim and allocated claim adjustment expense reserves ceded to NICO was net of $1.2 billion of ceded claim and allocated claim adjustment expense reserves under existing third party reinsurance contracts. The NICO LPT aggregate reinsurance limit also covers credit risk on the existing third party reinsurance related to these liabilities. CNA paid NICO a reinsurance premium of $2.0 billion and transferred to NICO billed third

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party reinsurance receivables related to A&EP claims with a net book value of $215 million, resulting in total consideration of $2.2 billion.

Subsequent to the effective date of the LPT, CNA recognized adverse prior year development on its A&EP reserves which resulted in additional amounts ceded under the LPT. As a result, the cumulative amounts ceded under the LPT exceeded the $2.2 billion consideration paid, resulting in the NICO LPT moving into a gain position, requiring retroactive reinsurance accounting. Under retroactive reinsurance accounting, this gain is deferred and only recognized in earnings in proportion to actual paid recoveries under the LPT. Over the life of the contract, there is no economic impact as long as any additional losses incurred are within the limit of the LPT. In a period in which CNA recognizes a change in the estimate of A&EP reserves that increases the amounts ceded under the LPT, the proportion of actual paid recoveries to total ceded losses is impacted and the change in the deferred gain is recognized in earnings as if the revised estimate of ceded losses was available at the effective date of the LPT. The effect of the deferred retroactive reinsurance benefit is recorded in Insurance claims and policyholders benefits in the Consolidated Condensed Statements of Income.

The following table presents the impact of the loss portfolio transfer on the Consolidated Condensed Statements of Income.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In millions)	**2017**	2016	**2017**	2016
Net A&EP adverse development before consideration of LPT	**$ -**	$ -	**$ 60**	$ 200
Retroactive reinsurance benefit recognized	**(3)**	(9)	**(43)**	(82)
Pretax impact of A&EP reserve development and the LPT	**$ (3)**	$ (9)	**$ 17**	$ 118

Based upon CNA s annual A&EP reserve review, net unfavorable prior year development of $60 million and $200 million was recognized before consideration of cessions to the LPT for the six months ended June 30, 2017 and 2016. The 2017 unfavorable development was driven by modestly higher anticipated payouts on claims from known sources of asbestos exposure. The 2016 unfavorable development was driven by an increase in anticipated future expenses associated with determination of coverage, higher anticipated payouts associated with a limited number of historical accounts having significant asbestos exposures and higher than expected severity on pollution claims. While this unfavorable development was ceded to NICO under the LPT, CNA s reported earnings in both periods were negatively affected due to the application of retroactive reinsurance accounting.

As of June 30, 2017 and December 31, 2016, the cumulative amounts ceded under the LPT were $2.9 billion and $2.8 billion. The unrecognized deferred retroactive reinsurance benefit was $351 million and $334 million as of June 30, 2017 and December 31, 2016.

NICO established a collateral trust account as security for its obligations to CNA. The fair value of the collateral trust account was $2.8 billion as of June 30, 2017 and December 31, 2016. In addition, Berkshire Hathaway Inc. guaranteed the payment obligations of NICO up to the aggregate reinsurance limit as well as certain of NICO s performance obligations under the trust agreement. NICO is responsible for claims handling and billing and collection from third-party reinsurers related to CNA s A&EP claims.

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7. Shareholders Equity

Accumulated other comprehensive income (loss)

The tables below present the changes in AOCI by component for the three and six months ended June 30, 2016 and 2017:

(In millions)	OTTI Gains (Losses)	Unrealized Gains (Losses) on Investments	Cash Flow Hedges	Pension Liability	Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance, April 1, 2016	$ 29	$ 554	$ (2)	$ (643)	$ (64)	$ (126)
Other comprehensive income (loss) before reclassifications, after tax of $1, $(164), $0, $0 and $0	(1)	322			(48)	273
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $0, $6, $0, $(4) and $0		(1)		5		4
Other comprehensive income (loss)	(1)	321	-	5	(48)	277
Amounts attributable to noncontrolling interests		(37)		(1)	6	(32)
Balance, June 30, 2016	$ 28	$ 838	$ (2)	$ (639)	$ (106)	$ 119
Balance, April 1, 2017	**$ 23**	**$ 636**	**$ (2)**	**$ (638)**	**$ (168)**	**$ (149)**
Other comprehensive income (loss) before reclassifications, after tax of $1, $(63), $0, $0 and $0	**(1)**	**108**			**42**	**149**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $(1), $15, $0, $(3) and $0	**1**	**(31)**		**7**		**(23)**
Other comprehensive income	**-**	**77**	**-**	**7**	**42**	**126**
Amounts attributable to noncontrolling interests		**(8)**		**(1)**	**(4)**	**(13)**
Balance, June 30, 2017	**$ 23**	**$ 705**	**$ (2)**	**$ (632)**	**$ (130)**	**$ (36)**

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(In millions)	OTTI Gains (Losses)		Unrealized Gains (Losses) on Investments		Cash Flow Hedges		Pension Liability		Foreign Currency Translation		Total Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2016	$	24	$	347	$	(3)	$	(649)	$	(76)	$	(357)
Other comprehensive income (loss) before reclassifications, after tax of $(1), $(272), $0, $0 and $0		2		539						(34)		507
Reclassification of losses from accumulated other comprehensive income, after tax of $(1), $(1), $0, $(7) and $0		2		10		1		13				26
Other comprehensive income (loss)		4		549		1		13		(34)		533
Amounts attributable to noncontrolling interests				(58)				(3)		4		(57)
Balance, June 30, 2016	$	28	$	838	$	(2)	$	(639)	$	(106)	$	119
Balance, January 1, 2017	**$**	**27**	**$**	**576**	**$**	**(2)**	**$**	**(646)**	**$**	**(178)**	**$**	**(223)**
Other comprehensive income (loss) before reclassifications, after tax of $0, $(110), $0, $0 and $0		**(1)**		**193**		**(1)**				**53**		**244**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $1, $24, $0, $(7) and $0		**(3)**		**(49)**		**1**		**15**				**(36)**
Other comprehensive income (loss)		**(4)**		**144**		**-**		**15**		**53**		**208**
Amounts attributable to noncontrolling interests				**(15)**				**(1)**		**(5)**		**(21)**
Balance, June 30, 2017	**$**	**23**	**$**	**705**	**$**	**(2)**	**$**	**(632)**	**$**	**(130)**	**$**	**(36)**

Amounts reclassified from AOCI shown above are reported in Net income (loss) as follows:

Major Category of AOCI	Affected Line Item
OTTI gains (losses)	Investment gains (losses)
Unrealized gains (losses) on investments	Investment gains (losses)
Cash flow hedges	Other revenues, Interest expense and Contract drilling expenses
Pension liability	Other operating expenses

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Treasury Stock

The Company repurchased 0.1 million and 2.6 million shares of Loews common stock at aggregate costs of $6 million and $98 million during the six months ended June 30, 2017 and 2016.

8. Benefit Plans

The Company has several non-contributory defined benefit plans and postretirement benefit plans covering eligible employees and retirees.

The following table presents the components of net periodic benefit cost for the plans:

	Pension Benefits							
	Three Months Ended June 30,				Six Months Ended June 30,			
(In millions)		**2017**		2016		**2017**		2016
Service cost	**$**	**2**	$	2	**$**	**4**	$	4
Interest cost		**29**		32		**59**		64
Expected return on plan assets		**(43)**		(44)		**(86)**		(88)
Amortization of unrecognized net loss		**11**		12		**22**		23
Settlement charge		**1**		1		**3**		2
Net periodic benefit cost	**$**	**-**	$	3	**$**	**2**	$	5

	Other Postretirement Benefits							
	Three Months Ended June 30,				Six Months Ended June 30,			
(In millions)		**2017**		2016		**2017**		2016
Interest cost					**$**	**1**	$	1
Expected return on plan assets	**$**	**(1)**	$	(1)		**(2)**		(2)
Amortization of unrecognized prior service benefit				(1)		**(1)**		(2)
Net periodic benefit cost	**$**	**(1)**	$	(2)	**$**	**(2)**	$	(3)

9. Legal Proceedings

CNA Financial

In September of 2016, a class action lawsuit was filed against CCC, Continental Assurance Company (CAC), CNA, the Investment Committee of the CNA 401(k) Plus Plan, The Northern Trust Company and John Does 1-10 (collectively Defendants) related to the CNA 401(k) Plus Plan. The complaint alleges that Defendants breached fiduciary duties to the CNA 401(k) Plus Plan and caused prohibited transactions in violation of the Employee Retirement Income Security Act of 1974 when the CNA 401(k) Plus Plan s Fixed Income Fund s annuity contract with CAC was canceled. The plaintiff alleges he and a proposed class of the CNA 401(k) Plus Plan participants who had invested in the Fixed Income Fund suffered lower returns in their CNA 401(k) Plus Plan investments as a consequence of these alleged violations and seeks relief on behalf of the putative class. This litigation is in its early stages, and as of yet no class has been certified. CCC and the other defendants are contesting the case. The parties are scheduled to attend a mediation in September of 2017.

CNA believes the likelihood of loss is reasonably possible; however, given the status of the litigation, the novel issues raised by the allegations and the uncertainty as to how to assess potential damages, management is currently unable to predict the final outcome. The Plan trustees have provided notice to their fiduciary coverage insurance carriers. Based on CNA s current assessment and consideration of available insurance coverage, CNA does not believe that the ultimate resolution of this matter will have a material impact on its condensed consolidated financial statements; however, the timing of recognition of loss, if any, and insurance recovery, if any, may differ.

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Other Litigation

The Company and its subsidiaries are parties to other litigation arising in the ordinary course of business. The outcome of this litigation will not, in the opinion of management, materially affect the Company s results of operations or equity.

10. Commitments and Contingencies

CNA Guarantees

In the course of selling business entities and assets to third parties, CNA agreed to guarantee the performance of certain obligations of previously owned subsidiaries and to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such guarantee and indemnification agreements in effect for sales of business entities, assets and third party loans may include provisions that survive indefinitely. As of June 30, 2017, the aggregate amount related to quantifiable guarantees was $434 million and the aggregate amount related to quantifiable indemnification agreements was $254 million. In certain cases, should CNA be required to make payments under any such guarantee, it would have the right to seek reimbursement from an affiliate of a previously owned subsidiary.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of June 30, 2017, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser s ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. Certain provisions of the indemnification agreements survive indefinitely while others survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

CNA also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary. As of June 30, 2017, the potential amount of future payments CNA could be required to pay under these guarantees was approximately $1.8 billion, which will be paid over the lifetime of the annuitants. CNA does not believe any payment is likely under these guarantees, as CNA is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

CNA Small Business Premium Rate Adjustment

In prior quarters, CNA identified rating errors related to its multi-peril package product and workers compensation policies within its Small Business unit and CNA is in the process of voluntarily issuing premium refunds related to affected policies. After the rating errors were identified, written and earned premium have been reported net of any impact from the premium rate adjustments. Premium development recognized as a result of the rating errors was favorable of $1 million and adverse of $37 million for the three and six months ended June 30, 2017.

The estimated refund liability for the multi-peril product and workers compensation policies as of June 30, 2017 was $96 million. CNA has reduced pretax income by $1 million and $6 million for the three and six months ended June 30, 2017 for interest due to policyholders on the aggregate refund amounts.

The amount of the refund and corresponding liability will continue to increase until required changes to the automated rating processes are fully implemented. The required changes were implemented in the second quarter of 2017 for the multi-peril product and are expected to be implemented by the end of the third quarter of 2017 for workers compensation policies. Any fines or penalties related to the foregoing are reasonably possible, but are not expected to be material to the Company s financial statements.

11. Segments

The Company has five reportable segments comprised of its four individual operating subsidiaries, CNA, Diamond Offshore, Boardwalk Pipeline and Loews Hotels & Co; and the Corporate segment. Each of the operating subsidiaries are headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position. The operations of Consolidated Container since the acquisition date are included in the Corporate segment. For additional disclosures regarding the composition of the Company s segments, see Note 20 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

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The following tables present the reportable segments of the Company and their contribution to the Consolidated Condensed Statements of Income. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company s subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests.

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Statements of Income by segment are presented in the following tables.

Three Months Ended June 30, 2017 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 1,734					$ 1,734
Net investment income	475	$ 1			$ 2	478
Investment gains	43					43
Contract drilling revenues		392				392
Other revenues	114	6	$ 318	$ 181	93	712
Total	2,366	399	318	181	95	3,359
Expenses:						
Insurance claims and policyholders benefits	1,280					1,280
Amortization of deferred acquisition costs	312					312
Contract drilling expenses		196				196
Other operating expenses	364	185	251	155	130	1,085
Interest	40	27	44	6	22	139
Total	1,996	408	295	161	152	3,012
Income (loss) before income tax	370	(9)	23	20	(57)	347
Income tax (expense) benefit	(98)	23	(5)	(10)	21	(69)
Net income (loss)	272	14	18	10	(36)	278
Amounts attributable to noncontrolling interests	(28)	(7)	(12)			(47)
Net income (loss) attributable to Loews Corporation	$ 244	$ 7	$ 6	$ 10	$ (36)	$ 231

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Three Months Ended June 30, 2016 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 1,730					$ 1,730
Net investment income	502				$ 85	587
Investment gains (losses)	13	$ (12)				1
Contract drilling revenues		357				357
Other revenues	103	33	$ 308	$ 189	(1)	632
Total	2,348	378	308	189	84	3,307
Expenses:						
Insurance claims and policyholders benefits	1,339					1,339
Amortization of deferred acquisition costs	305					305
Contract drilling expenses		198				198
Other operating expenses	376	825	198	180	32	1,611
Interest	38	24	45	5	18	130
Total	2,058	1,047	243	185	50	3,583
Income (loss) before income tax	290	(669)	65	4	34	(276)
Income tax (expense) benefit	(80)	99	(16)	(3)	(12)	(12)
Net income (loss)	210	(570)	49	1	22	(288)
Amounts attributable to noncontrolling interests	(21)	276	(32)			223
Net income (loss) attributable to Loews Corporation	$ 189	$ (294)	$ 17	$ 1	$ 22	$ (65)

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Six Months Ended June 30, 2017 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 3,379					$ 3,379
Net investment income	1,020	$ 1			$ 61	1,082
Investment gains	77					77
Contract drilling revenues		756				756
Other revenues	219	19	$ 686	$ 348	93	1,365
Total	4,695	776	686	348	154	6,659
Expenses:						
Insurance claims and policyholders benefits	2,573					2,573
Amortization of deferred acquisition costs	617					617
Contract drilling expenses		400				400
Other operating expenses	707	305	455	296	168	1,931
Interest	83	55	90	13	40	281
Total	3,980	760	545	309	208	5,802
Income (loss) before income tax	715	16	141	39	(54)	857
Income tax (expense) benefit	(182)	21	(28)	(19)	20	(188)
Net income (loss)	533	37	113	20	(34)	669
Amounts attributable to noncontrolling interests	(55)	(18)	(70)			(143)
Net income (loss) attributable to Loews Corporation	$ 478	$ 19	$ 43	$ 20	$ (34)	$ 526

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Six Months Ended June 30, 2016 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 3,429					$ 3,429
Net investment income	937				$ 72	1,009
Investment losses	(15)	$ (12)				(27)
Contract drilling revenues		801				801
Other revenues	200	60	$ 655	$ 352	1	1,268
Total	4,551	849	655	352	73	6,480
Expenses:						
Insurance claims and policyholders benefits	2,747					2,747
Amortization of deferred acquisition costs	612					612
Contract drilling expenses		411				411
Other operating expenses	756	974	403	328	57	2,518
Interest	88	50	88	11	36	273
Total	4,203	1,435	491	339	93	6,561
Income (loss) before income tax	348	(586)	164	13	(20)	(81)
Income tax (expense) benefit	(71)	100	(35)	(9)	7	(8)
Net income (loss)	277	(486)	129	4	(13)	(89)
Amounts attributable to noncontrolling interests	(28)	235	(81)			126
Net income (loss) attributable to Loews Corporation	$ 249	$ (251)	$ 48	$ 4	$ (13)	$ 37

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with our Consolidated Condensed Financial Statements included under Item 1 of this Report, Risk Factors included under Part II, Item 1A of this Report, and the Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2016. This MD&A is comprised of the following sections:

OVERVIEW

We are a holding company and have five reportable segments comprised of our four individual operating subsidiaries, CNA Financial Corporation (CNA), Diamond Offshore Drilling, Inc. (Diamond Offshore), Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) and Loews Hotels Holding Corporation (Loews Hotels & Co); and our Corporate segment. The results of operations of Consolidated Container Company LLC since the acquisition date are included in the Corporate segment. Each of our operating subsidiaries is headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position.

We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to our shareholders. The ability of our subsidiaries to pay dividends is subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies (see Note 13 of the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2016) and compliance with covenants in their respective loan agreements. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and those of our creditors and shareholders.

Unless the context otherwise requires, references in this Report to Loews Corporation, the Company, Parent Company, we, our, us or like terms refer to the business of Loews Corporation excluding its subsidiaries.

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RESULTS OF OPERATIONS

Consolidated Financial Results

The following table summarizes net income (loss) attributable to Loews Corporation by segment and net income (loss) per share attributable to Loews Corporation for the three and six months ended June 30, 2017 and 2016:

(In millions, except per share data)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CNA Financial	**$ 244**	$ 189	**$ 478**	$ 249
Diamond Offshore	**7**	(294)	**19**	(251)
Boardwalk Pipeline	**6**	17	**43**	48
Loews Hotels & Co	**10**	1	**20**	4
Corporate	**(36)**	22	**(34)**	(13)
Net income (loss) attributable to Loews Corporation	**$ 231**	$ (65)	**$ 526**	$ 37
Basic and diluted net income (loss) per share	**$ 0.69**	$ (0.19)	**$ 1.56**	$ 0.11

Net income attributable to Loews Corporation for the three months ended June 30, 2017 was $231 million, or $0.69 per share, compared to a net loss of $65 million, or $0.19 per share in the 2016 period. Net income attributable to Loews Corporation for the six months ended June 30, 2017 was $526 million, or $1.56 per share, compared to $37 million, or $0.11 per share, in the 2016 period. The results for the three and six months ended June 30, 2017 include asset impairment charges at Diamond Offshore of $23 million as compared with $267 million (both after tax and noncontrolling interests) in the 2016 periods.

Excluding the impairment charges at Diamond Offshore, net income attributable to Loews Corporation increased $52 million and $245 million for the three and six months ended June 30, 2017 as compared with the 2016 periods due to higher earnings at CNA, Diamond Offshore and Loews Hotels & Co. These increases were partially offset by lower earnings at Boardwalk Pipeline and lower income generated by the parent company investment portfolio.

Unless the context otherwise requires, references herein to net operating income (loss), net realized investment results and net income (loss) reflect amounts attributable to Loews Corporation shareholders.

Acquisition of Consolidated Container Company

On May 22, 2017, we completed the previously announced acquisition of CCC Acquisition Holdings, Inc. for $1.2 billion, subject to closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC (Consolidated Container), is a rigid plastic packaging and recycled resins manufacturer and provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America.

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CNA Financial

The following table summarizes the results of operations for CNA for the three and six months ended June 30, 2017 and 2016 as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Insurance premiums	**$ 1,734**	$ 1,730	**$ 3,379**	$ 3,429
Net investment income	**475**	502	**1,020**	937
Investment gains (losses)	**43**	13	**77**	(15)
Other revenues	**114**	103	**219**	200
Total	**2,366**	2,348	**4,695**	4,551
Expenses:				
Insurance claims and policyholders benefits	**1,280**	1,339	**2,573**	2,747
Amortization of deferred acquisition costs	**312**	305	**617**	612
Other operating expenses	**364**	376	**707**	756
Interest	**40**	38	**83**	88
Total	**1,996**	2,058	**3,980**	4,203
Income before income tax	**370**	290	**715**	348
Income tax expense	**(98)**	(80)	**(182)**	(71)
Net income	**272**	210	**533**	277
Amounts attributable to noncontrolling interests	**(28)**	(21)	**(55)**	(28)
Net income attributable to Loews Corporation	**$ 244**	$ 189	**$ 478**	$ 249

Three Months Ended June 30, 2017 Compared to 2016

Net income increased $55 million for the three months ended June 30, 2017 as compared with the 2016 period, primarily due to improved current accident year underwriting results and higher net realized investment results, driven by higher net realized investment gains on sales of securities and lower other-than-temporary impairment (OTTI) losses recognized in earnings. These increases were partially offset by lower net investment income driven primarily by limited partnership investments. Favorable net prior year development of $63 million and $106 million was recorded in the three months ended June 30, 2017 and 2016. Further information on net prior year development is included in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Six Months Ended June 30, 2017 Compared to 2016

Net income increased $229 million for the six months ended June 30, 2017 as compared with the 2016 period primarily due to higher net investment income, driven by limited partnership investments and improved underwriting results despite less favorable net prior year loss reserve development. In addition, results reflect the favorable period over period effect of foreign currency exchange gains and losses and lower adverse prior year reserve development in the six months ended June 30, 2017 under the 2010 A&EP loss portfolio transfer as compared with the 2016 period. Earnings also benefited from improved net realized investment results driven by higher net realized investment gains on sales of securities and lower OTTI losses recognized in earnings. Favorable net prior year development of $95 million and $172 million was recorded in the six months ended June 30, 2017 and 2016.

CNA s Core and Non-Core Operations

CNA s core business is its property and casualty insurance operations that include its Specialty, Commercial and International lines of business. CNA s non-core operations include its long term care business that is in run-off, certain corporate expenses, including interest on CNA s corporate debt, and certain property and casualty businesses in run-off, including CNA Re and A&EP. CNA s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups. We believe the presentation of CNA as one reportable segment is appropriate in accordance with applicable accounting standards on segment reporting. However, for purposes of this discussion and analysis of the results of operations, we provide greater detail with

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respect to CNA s core and non-core operations to enhance the reader s understanding and to provide further transparency into key drivers of CNA s financial results.

In assessing CNA s insurance operations, the Company utilizes the net operating income (loss) financial measure. Net operating income (loss) is calculated by excluding from net income (loss) the after tax and noncontrolling interests effects of (i) net realized investment gains or losses, (ii) income or loss from discontinued operations and (iii) any cumulative effects of changes in accounting guidance. The calculation of net operating income excludes net realized investment gains or losses because net realized investment gains or losses are largely discretionary, except for some losses related to OTTI, and are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Net operating income (loss) is deemed to be a non-GAAP financial measure and management believes this measure is useful to investors as management uses this measure to assess financial performance.

Property and Casualty Operations

In evaluating the results of the property and casualty operations, CNA utilizes the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using GAAP financial results. The loss ratio is the percentage of net incurred claim and claim adjustment expenses to net earned premiums. The expense ratio is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums. The dividend ratio is the ratio of policyholders dividends incurred to net earned premiums. The combined ratio is the sum of the loss, expense and dividend ratios. In addition, CNA also utilizes renewal premium change, rate, retention and new business in evaluating operating trends. Renewal premium change represents the estimated change in average premium on policies that renew, including rate and exposure changes. Rate represents the average change in price on policies that renew excluding exposure change. Exposure represents the measure of risk used in the pricing of the insurance product. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. Rate, renewal premium change and retention presented for the prior year is updated to reflect subsequent activity on policies written in the period. New business represents premiums from policies written with new customers and additional policies written with existing customers.

The following tables summarize the results of CNA s property and casualty operations for the three and six months ended June 30, 2017 and 2016:

Three Months Ended June 30, 2017 (In millions, except %)	Specialty	Commercial	International	Total
Net written premiums	$ 716	$ 767	$ 219	$ 1,702
Net earned premiums	689	705	206	1,600
Net investment income	120	143	13	276
Net operating income	121	104	9	234
Net realized investment gains	9	11	5	25
Net income	130	115	14	259
Other performance metrics:				
Loss and loss adjustment expense ratio	57.7%	60.0%	62.8%	59.4%
Expense ratio	32.0	34.5	37.3	33.8

Dividend ratio	**0.2**	**0.6**	**0.3**
Combined ratio	**89.9%**	**95.1**	